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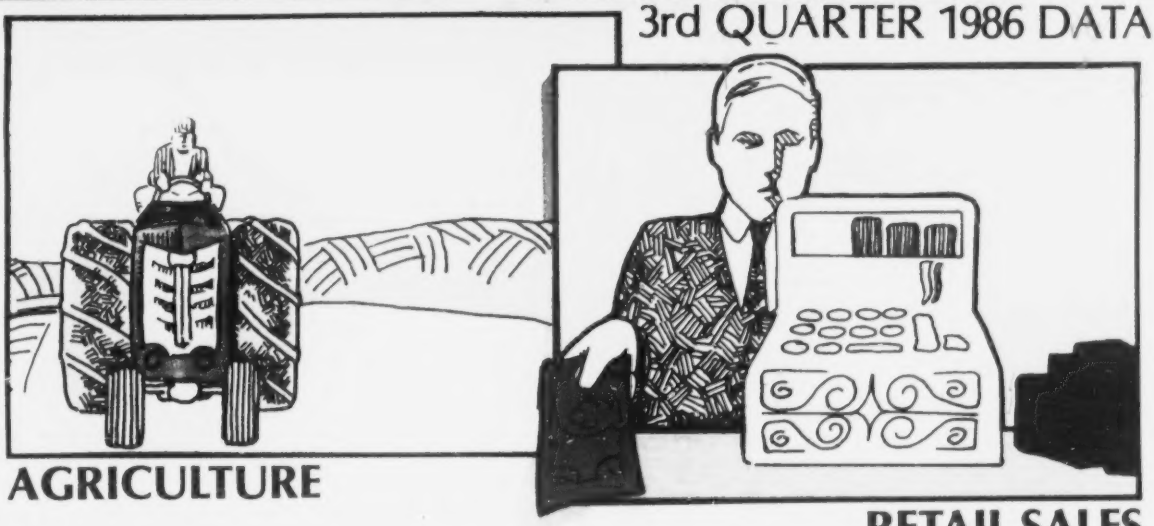
VIRGINIA ECONOMIC INDICATORS

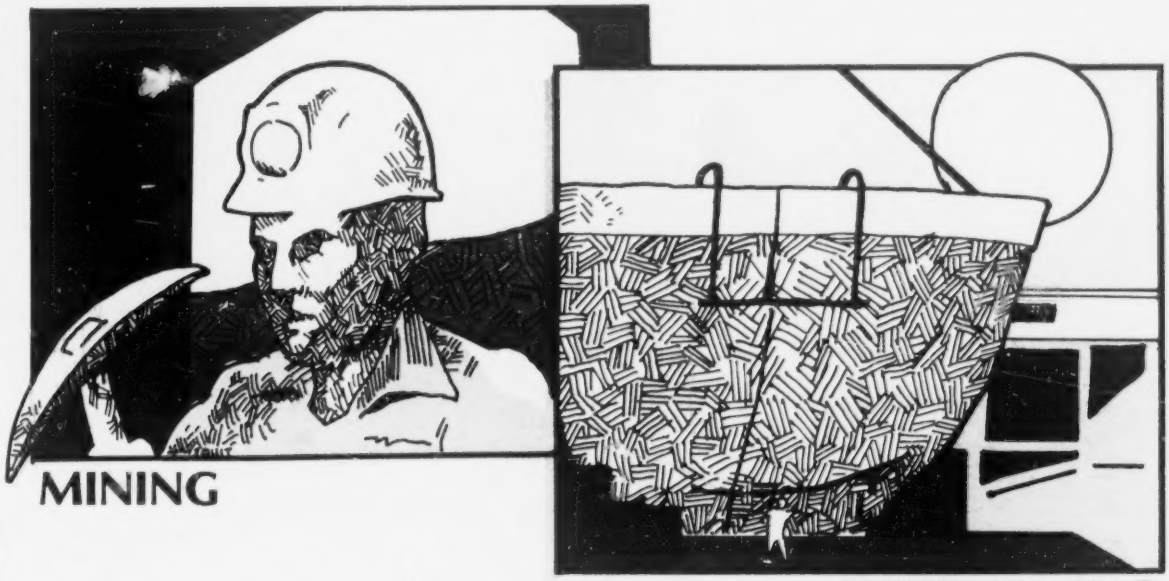
VOL. XVIII NO. 3

3rd QUARTER 1986 DATA



AGRICULTURE

RETAIL SALES



MINING

SHIPBUILDING

Virginia Employment Commission

FOREWORD

This publication is designed to depict the movement of Virginia's key economic indicators in graphic and tabular form with accompanying narrative analysis.

We welcome any comments, suggestions, or questions concerning Virginia Economic Indicators. Please contact Jeffrey A. Windom, Director, Economic Information Services Division, P. O. Box 1358, Richmond, Virginia 23211, telephone (804) 786-7496, for additional information or explanation of the contents of this document.

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ECONOMIC OUTLOOK - U. S.

1987, 1988, and 1989 U. S. Forecast Highlights

° CY 1986 ends in a moderate growth mode (+2.5 percent Gross National Product [GNP]).

- Export sales start to pick up after a disastrous July trade deficit.
- Cut-rate financing causes auto sales to spurt temporarily in August and September.
- Factory orders and employment - generally flat.
- The housing boom of CY 1985-86 starts to weaken.
- Year-end retail sales brightened by anticipatory spending before tax reform and the furnishing of many recently completed housing units.

° Forecast GNP inches up to 2.6 percent in CY 1987.

- Consumers cautious, increasingly burdened with debt, but still spending modestly.
- With a declining trade deficit, manufacturing finally begins to revive.
- Neither business spending because of the tax reform nor government spending because of budget balancing adds much to economic growth.

° GNP growth of 2.7 percent makes CY 1988 the strongest of the forecast period.

- With two years of declining trade deficits, U. S. factories are now adding some jobs.
- Business will be shaking off the tax reform jitters and consumers will have larger after-tax incomes.

° More of the same for CY 1989.

° Fiscal policy (tax reform and deficit reduction) negative for much of the forecast period, but monetary policy highly accommodative (low interest rates).

° Oil prices will remain relatively low and the dollar continues to decline.

° A three-year period of stable, but slow growth prevails.

° The current recovery, though losing some steam, may go on to rival the longest uptrends in this century.

ECONOMIC OUTLOOK - VIRGINIA

1987, 1988, and 1989 Virginia Forecast Highlights

° With current record employment levels, Virginia is forecast to be entering a stable period of high employment for the next three years.

° Growth will be just slightly lower than in CY 1986 because of an aging labor force, less pent-up demand for construction, the impact of federal budget balancing, and gaps in the scheduling of federal defense spending.

° Tax reform overall should have only a slightly negative impact on the State's economy.

° Trade and services should continue to reach new heights in employment, but their rate of expansion may be slightly less rapid than the torrid pace of the past two years.

° The State's manufacturers should increasingly reap the benefits from the weakened dollar, but a few more marginally competitive individual facilities likely will be closed.

° The jobless rate should gradually inch downward from the current 5.3 percent, averaging just over 5.0 percent by CY 1989. Individual months in late summer and fall of each year may drop as low as 4.5 percent.

° The four largest metropolitan areas--Northern Virginia, Norfolk-Newport News, Richmond-Petersburg, and Roanoke--should continue to see jobless rates well below the State average, and some industries and occupations in these urban areas may experience labor shortage situations.

° Virginia should experience stability coupled with modest growth through the end of the decade.

William Mezger

HIGHLIGHTS
VIRGINIA ECONOMIC INDICATORS
Third Quarter 1986

- In Third Quarter 1986, six series reached all-time highs on a seasonally adjusted basis. September saw the most record-breakers with four series at all-time highs.
  - Nonagricultural wage and salary employment in Virginia soared to 2,539,200 in September with the largest number of workers ever on employers' payrolls.
  - Average hourly earnings set records each month of the quarter to reach $8.98 for September.
  - Average weekly earnings also broke new ground each month going on to establish a September all-time record of $362.41 per week.
  - New business incorporations were at a peak level of 1,620 in July.
  - Financing incentive programs by automakers, such as cut-rate 2.9 percent interest, cleaned up the remaining 1986 models and pushed auto sales to a record 48,869 in September.
  - A hot, dry summer boosted the demand for air conditioning and increased electric power sales to an impressive record of 3,789.1 million kilowatt hours in July.
- Factory employment seasonally adjusted at a very strong 430,200 in July was just shy of the all-time record of 430,300 set back in February. The lack of crops for processing because of the summer-long drought provided just enough dampening effect on production to keep manufacturing levels from establishing new records this quarter.
- The total unemployment rate fell to a seasonally adjusted level of 4.7 percent in July before news of the State's record-setting employment pace enticed out-of-staters and other people not normally in the labor force to look for work, thereby inching up joblessness to 5.1 percent in September.
- The State's insured unemployment rate averaged a low 1.1 percent for the quarter.
- No negative movement whatsoever was noted in the four production worker series--manhours worked, average hourly earnings, average weekly earnings, and the length of the workweek--reflecting the present strong level of economic activity in Virginia.
- The five business-related indicators which had been the strongest performers in the second quarter as a group were not able to hold the torrid pace, but most series were still at impressive levels by past standards.
- Taxable retail sales were close to a record in August at $3,369.1 million, but then were off in September as record new cars sales diverted money from general sales tax revenues into the titling tax fund.
- According to the U. S. Bureau of Labor Statistics, productivity increased at a 0.1 percent annual rate during Third Quarter 1986 in the U. S. business sector, as output rose 2.5 percent and hours of all persons engaged in the sector increased 2.4 percent (seasonally adjusted annual rates). Although productivity gains in both the second and third quarters were small, the third-quarter results reflect stronger underlying gains in both output and hours. During the Second Quarter 1986, output rose only 0.3 percent and hours of all persons declined 0.2 percent.
- After declining by an average of 0.2 percent from the first quarter to the second quarter because of falling energy prices, the CPI for All Urban Consumers averaged 328.9 (1967 = 100) for Third Quarter 1986, up modestly by 0.7 percent from the second quarter. This was close to the 0.8 percent average gain recorded in Third Quarter 1985. Over the year, prices in Third Quarter 1986 average 1.6 percent higher than in Third Quarter 1985.
- Virginia's coal production at 32,509,000 short tons for the first nine months of 1986 was 7.7 percent above coal production during the first nine months of 1985. While coal production continued to increase, mine employment decreased 2.1 percent in the first nine months of 1986 as compared to the similar 1985 period.

State's Economic Activity at Overall High Level in Third Quarter

Overall, the Virginia economy turned in quite a creditable performance in the third quarter after losing a bit of ground in the second quarter. A very strong employment sector seemed to be pulling other segments of the economy along with it. Six series broke all-time records in the third quarter--total nonfarm employment reached 2,539,200 in September; average hourly earnings and average weekly earnings each set records throughout the quarter winding up at $8.98 an hour and $362.41 per week, respectively; new business incorporations climbed to 1,620 in July; cut-rate financing pushed new auto registrations to 48,869 in September; and a hot summer boosted power sales to 3,789.1 million kilowatt hours in July. Most of the other series, while not breaking records and occasionally having an off month, were actually at quite high levels by past standards. The generally strong performance of the series was a testimony to the high level of economic activity Virginia was enjoying.

July was just barely the strongest month of the quarter with 11 series up, three down, and one unchanged. August was the weakest month with seven series up, six down, and two unchanged. Once again, oversensitivity of the seasonal factors may have been responsible for the mid-month's poorer performance. September rebounded with ten series positive and five series negative.

The six-month moving average of the number of rising indicators (page 8) serves to illustrate the third quarter's strength. The moving average enhances analysis because it smooths out much of the irregularity present in many of the individual series.

Six Series Break Records During Quarter

After being off from May to June because of the timing of vacation furloughs this year, nonagricultural wage and salary employment forged ahead each month of the third quarter to finish the quarter at an all-time high of 2,539,200, surpassing the previous seasonally adjusted high of 2,532,100 set back in January. Very strong employment gains in trade and services coupled with record-breaking construction levels were the driving forces behind the third quarter nonfarm gains. Factory employment was very strong in July at 430,200. This was just short of the 430,300 seasonally adjusted all-time record set back in February. Factory employment then showed slight declines in both August and September, finishing the quarter at 426,400. A lack of crops to process because of the summerlong drought seemed to be the key factor keeping seasonally adjusted factory employment levels from setting any new records in the third quarter.

The four indicators that measure unemployment's impact on the State's economy continued to give somewhat mixed signals in the third quarter. The number of new claims for unemployment insurance was the strongest of these, dropping in two of the three months. The total seasonally adjusted unemployment rate fell from 5.1 percent in June to 4.7 percent in July, inched up to 4.8 percent in August, and then finished the quarter where it started, back at 5.1 percent in September. Unemployment increased toward the end of the quarter in spite of record-breaking employment levels because the good job news was apparently enticing out-of-staters and others not normally in the labor force to seek work here. The insured unemployment rate was unchanged in July at a low 1.1 percent, inched up because of rounding in August to 1.2 percent, then settled back to 1.1 percent in September. Unemployment insurance final payments were slightly higher in July, fell to a relatively low 1,846 seasonally adjusted in August, then climbed 26.3 percent to 2,332 in September. September's figure was reflecting a group of workers from a sizeable permanent electronics layoff back in March exhausting benefits and passing out of claims status.

The four production worker series were very strong, reflecting the general high level of employment. All four series were positive in both July and September. Manhours worked and average hourly earnings increased each month of the quarter. In fact, there was no negative movement in this group in the third quarter; only average weekly hours and average weekly earnings (with rounding there was no percentage gain) were both unchanged in August. Average hourly earnings and averaged weekly earnings (in total amounts) regularly broke new ground in the third quarter.

The five business-related indicators which had been the strongest performers in the second quarter were as a group a little less positive in the third quarter. Some third quarter losses were the result of not being able to hold really impressive levels set recently, although all series were still relatively high. New business incorporations set a record of 1,620 in July, fell to 1,307 in August, and then at 1,539 in September recovered part of the lost ground. The volatile valuations of building permits, responding to plummeting mortgage rates, reached the June all-time high of $309.0 million, but then could not hold this torrid pace and fell to $140.9 million in July. August and September were better at $157.0 million and $167.4 million, respectively, but still nothing like June. New vehicle registrations were up in July, down slightly in August, then soared to an all-time record of 48,869 in September. September's booming auto sales were the result of 2.9 percent and other financing incentive programs instituted by all the major auto makers to clear out an accumulation of leftover 1986 models. A record hot, humid July kept air conditioners humming and pushed electric power sales to a high of 3,789.1 million kilowatt hours. As the weather moderated in August and September, so did power sales. Taxable retail sales seesawed in the third quarter. They were lower in July, probably because the heat kept people from going shopping; close to a record in August at $3,369.1 million; then down in September. Taxable retail sales were off in September since money was being diverted by record new car purchases.

William Mezger

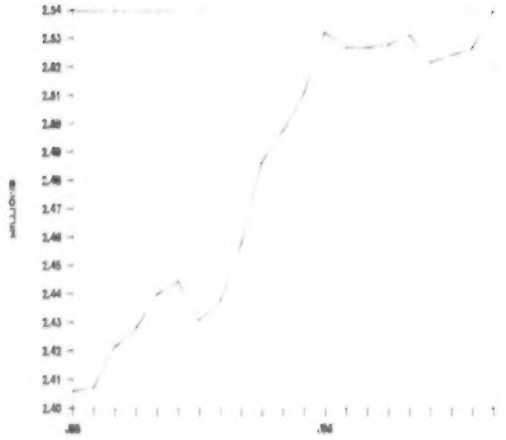
EMPLOYMENT AND UNEMPLOYMENT INDICATORS
January 1985 to September 1986

	Nonagricultural Wage & Salary Emp.* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	2,362.8	2,405.7	422.6	427.4	6.1	5.4
February	2,361.8	2,407.4	422.3	426.2	6.2	5.5
March	2,392.6	2,420.9	422.9	426.1	5.9	5.5
April	2,418.2	2,428.7	421.9	423.8	5.5	5.6
May	2,449.7	2,439.6	421.1	422.7	5.5	5.7
June	2,481.2	2,444.1	423.1	421.3	5.7	5.8
July	2,443.1	2,432.0	417.9	418.7	6.0	6.0
August	2,446.9	2,437.0	423.6	421.8	5.4	5.8
September	2,479.3	2,458.0	426.3	421.6	5.2	5.9
October	2,498.7	2,485.1	426.8	423.1	5.2	5.6
November	2,507.3	2,497.6	425.6	423.1	5.3	5.4
December	2,522.9	2,510.4	425.9	425.1	5.3	5.2
1986						
January	2,486.5	2,532.1	425.0	429.7	6.2	5.5
February	2,478.8	2,526.8	426.4	430.3	6.0	5.3
March	2,496.4	2,526.7	425.1	428.1	5.6	5.3
April	2,517.8	2,527.9	425.1	426.8	5.3	5.4
May	2,541.4	2,531.3	425.8	427.5	4.9	5.1
June	2,559.3	2,521.5	427.5	425.4	5.0	5.1
July	2,534.2	2,524.1	429.3	430.2	4.7	4.7
August	2,536.5	2,526.4	431.5	429.8	4.4	4.8
September	2,562.1	2,539.2	431.1	426.4	4.5	5.1

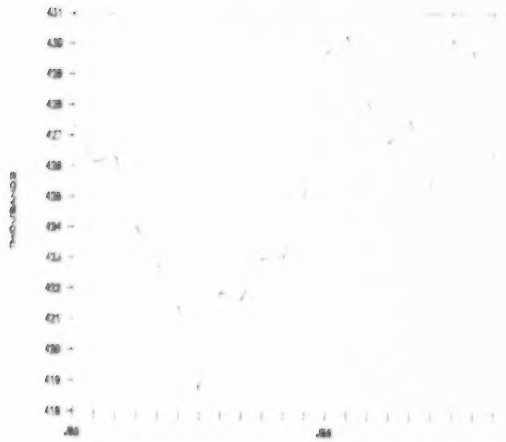
	Average Weekly Initial Claims (Number)		Avg. Wkly. Insured Unemployment Rate (Percent)		U. I. Final Payments (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	12,108	7,281	2.2	1.5	2,613	2,751
February	8,996	8,523	1.8	1.3	2,052	2,137
March	6,752	7,203	1.7	1.3	2,374	1,921
April	6,767	7,845	1.2	1.2	3,117	2,244
May	5,475	7,555	1.1	1.3	2,680	2,289
June	5,869	7,322	1.0	1.2	2,019	1,947
July	8,538	8,875	1.2	1.4	2,571	2,492
August	5,249	7,526	1.0	1.3	1,845	1,963
September	4,344	6,777	0.9	1.2	1,630	2,142
October	5,002	5,828	0.9	1.2	1,862	2,364
November	6,100	6,087	1.0	1.1	1,557	1,944
December	11,965	6,644	1.1	1.0	1,836	2,004
1986						
January	8,597	5,179	1.6	1.1	2,439	2,549
February	6,258	5,926	1.4	1.0	1,888	1,961
March	5,133	5,466	1.3	1.0	2,276	1,840
April	6,049	7,034	1.1	1.1	3,089	2,211
May	4,273	5,943	0.9	1.1	2,292	1,947
June	5,266	6,616	0.9	1.1	2,186	2,122
July	6,117	6,319	1.0	1.1	2,244	2,176
August	4,323	6,211	0.9	1.2	1,739	1,846
September	3,974	6,258	0.8	1.1	1,763	2,332

*These series have been adjusted to First Quarter 1985 benchmarks.

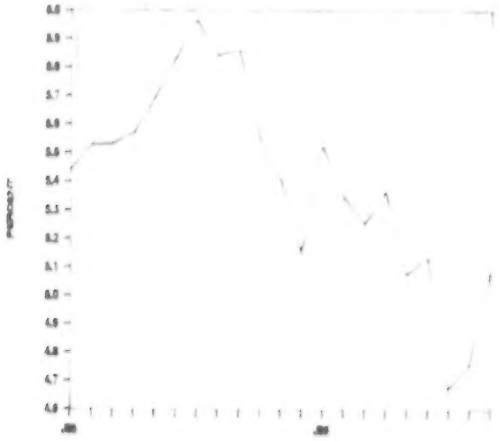
MONAG W & S EMPLOYMENT



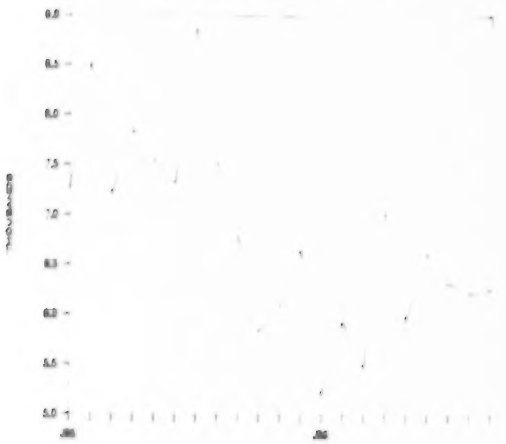
MANUFACTURING EMPLOYMENT



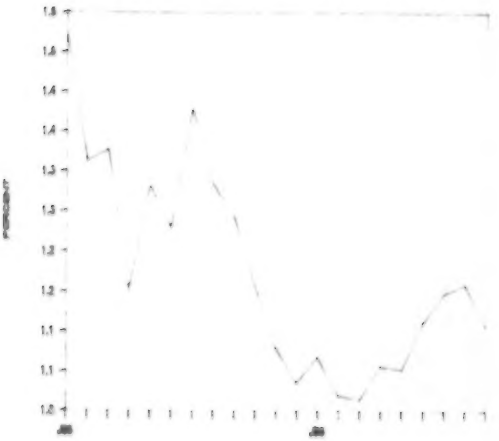
TOTAL UNEMPLOYMENT RATE



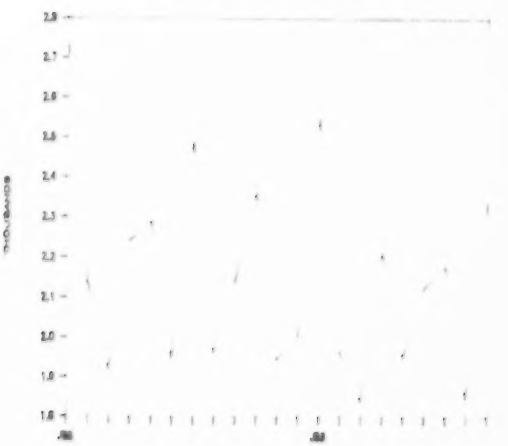
AVG. WEEKLY INITIAL CLAIMS*



INSURED UNEMPLOYMENT RATE



J... FINAL PAYMENTS



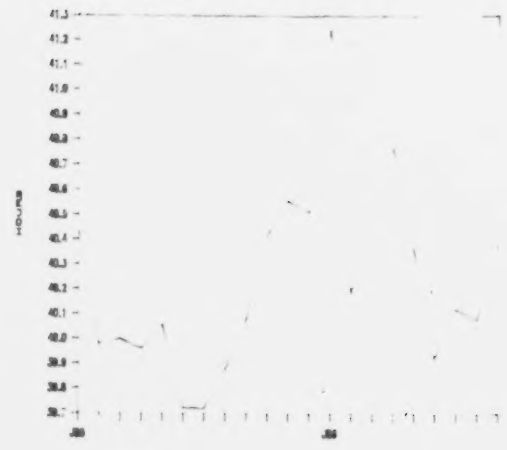
MANUFACTURING PRODUCTION WORKER INDICATORS
January 1985 to September 1986

	Average Weekly Hours* (Hours)		Average Manhours* (Thousands)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	39.7	40.4	12,613.4	12,939.7
February	39.3	40.0	12,432.1	12,757.6
March	39.6	40.0	12,551.1	12,774.8
April	39.6	40.0	12,508.8	12,697.9
May	40.1	40.1	12,635.0	12,693.0
June	40.2	39.7	12,763.6	12,566.0
July	39.6	39.7	12,408.0	12,480.6
August	40.0	39.9	12,716.8	12,650.7
September	40.4	40.1	12,969.5	12,716.1
October	40.5	40.4	12,994.1	12,836.0
November	41.0	40.5	13,112.2	12,858.5
December	41.2	40.5	13,152.4	12,917.0
1986				
January	40.5	41.2	12,903.9	13,248.4
February	39.5	40.2	12,658.7	12,996.6
March	40.1	40.5	12,830.7	13,065.9
April	40.4	40.8	12,932.0	13,115.6
May	40.4	40.4	12,948.2	13,000.2
June	40.4	39.9	12,992.6	12,786.0
July	40.0	40.1	12,836.0	12,900.5
August	40.2	40.1	13,012.7	12,948.0
September	40.7	40.4	13,251.9	12,992.1

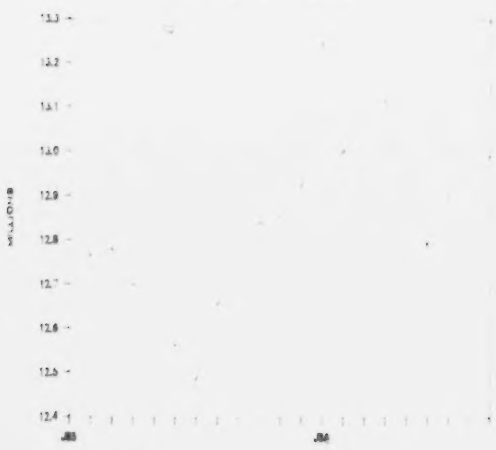
	Average Hourly Earnings* (Dollars)		Average Weekly Earnings* (Dollars)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	8.36	8.28	331.89	335.44
February	8.42	8.40	330.91	335.81
March	8.42	8.42	333.43	337.08
April	8.49	8.48	336.20	337.83
May	8.43	8.45	338.04	338.89
June	8.46	8.49	340.09	337.38
July	8.50	8.53	336.60	338.82
August	8.57	8.61	342.80	343.18
September	8.56	8.59	345.82	344.29
October	8.59	8.64	347.90	348.57
November	8.66	8.64	355.06	348.72
December	8.71	8.67	358.85	351.74
1986				
January	8.73	8.65	353.57	357.50
February	8.76	8.73	346.02	351.29
March	8.78	8.78	352.08	356.00
April	8.81	8.79	355.92	357.35
May	8.85	8.87	357.54	358.26
June	8.86	8.89	357.94	355.10
July	8.88	8.92	355.20	357.70
August	8.89	8.93	357.38	357.74
September	8.94	8.98	363.86	362.41

*These series have been adjusted to First Quarter 1985 benchmarks.

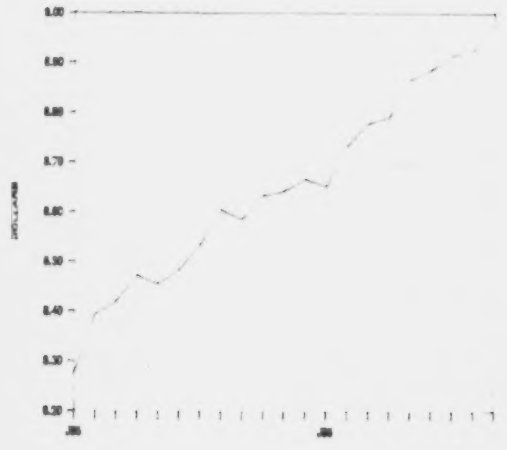
AVERAGE WEEKLY HOURS



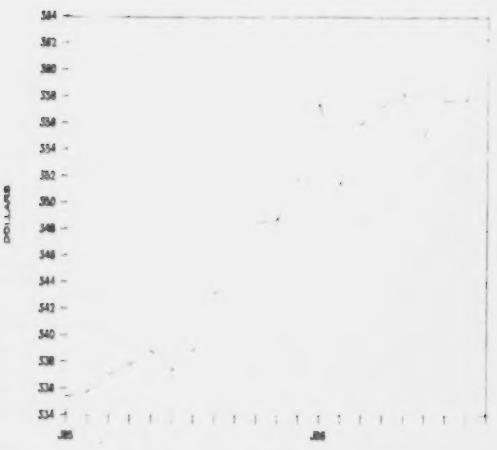
AVERAGE MAN-HOURS



AVERAGE HOURLY EARNINGS



AVERAGE WEEKLY EARNINGS

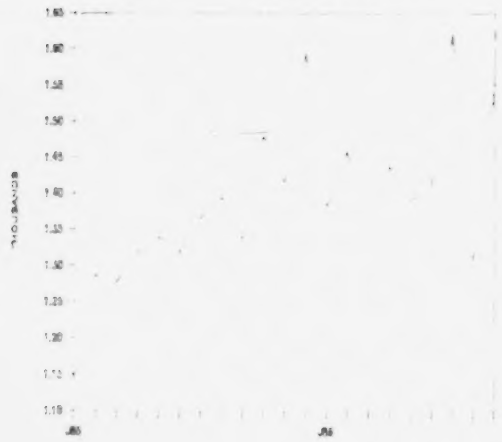


BUSINESS INDICATORS
January 1985 to September 1986

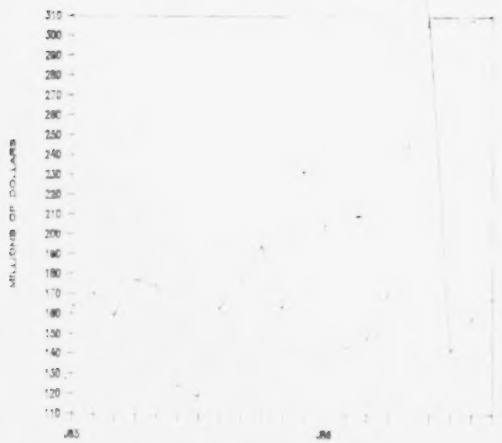
	New Business Incorporations (Number)		Valuation of Bldg. Permits ($ Millions)		New Vehicle Registrations (Number)	
1985	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.
January	1,154	1,148	139.1	163.7	33,530	35,998
February	1,294	1,288	139.8	170.6	29,072	33,279
March	1,424	1,277	195.6	159.0	38,164	33,795
April	1,447	1,319	204.4	177.2	39,165	35,073
May	1,380	1,340	166.0	174.0	42,505	37,754
June	1,348	1,319	149.5	124.1	40,170	34,296
July	1,315	1,367	133.7	118.7	41,215	37,447
August	1,445	1,395	165.0	163.1	37,532	35,570
September	1,212	1,338	166.0	175.8	41,423	40,942
October	1,455	1,481	198.5	194.5	40,354	44,066
November	1,254	1,417	154.4	162.4	29,286	34,655
December	1,508	1,593	167.1	232.3	25,460	35,299
1986						
January	1,391	1,383	175.3	205.3	39,473	42,262
February	1,469	1,459	117.8	143.0	31,677	36,327
March	1,401	1,254	180.3	147.2	38,739	34,496
April	1,579	1,438	194.3	169.0	41,469	37,192
May	1,436	1,391	230.2	244.1	42,820	37,860
June	1,445	1,414	374.5	309.0	45,992	39,175
July	1,554	1,620	159.8	140.9	43,297	39,325
August	1,358	1,307	160.0	157.0	40,420	38,349
September	1,387	1,539	157.0	167.4	49,358	48,869

	Electrical Power Sales (Mil. of KWH)		Taxable Retail Sales ($ Millions)	
1985	Unadj.	Adj.	Unadj.	Adj.
January	3,594.5	3,040.7	2,247.3	2,445.9
February	3,835.0	3,472.8	2,311.6	2,661.8
March	3,186.8	3,193.3	2,599.4	2,817.3
April	2,959.2	3,188.4	2,720.0	2,765.7
May	2,753.3	3,264.7	2,894.6	2,718.2
June	3,059.5	3,232.8	2,739.5	2,764.0
July	3,400.3	3,166.2	2,797.3	2,794.0
August	3,563.5	3,199.0	3,133.0	3,205.5
September	3,626.9	3,378.7	2,750.8	2,741.2
October	2,892.8	3,328.9	3,027.4	2,991.4
November	2,769.9	3,203.3	3,031.9	2,999.2
December	3,403.8	3,408.3	3,214.4	2,579.3
1986				
January	4,062.3	3,439.7	2,144.1	2,333.1
February	3,851.7	3,492.0	2,942.0	3,397.2
March	3,654.2	3,665.2	2,958.5	3,208.8
April	3,083.0	3,315.1	2,826.4	2,872.4
May	2,918.1	3,453.4	3,482.3	3,263.6
June	3,460.5	3,654.2	3,161.5	3,193.4
July	4,065.7	3,789.1	2,993.0	2,990.0
August	4,078.7	3,658.0	3,291.6	3,369.1
September	3,386.8	3,153.4	3,028.5	3,022.5

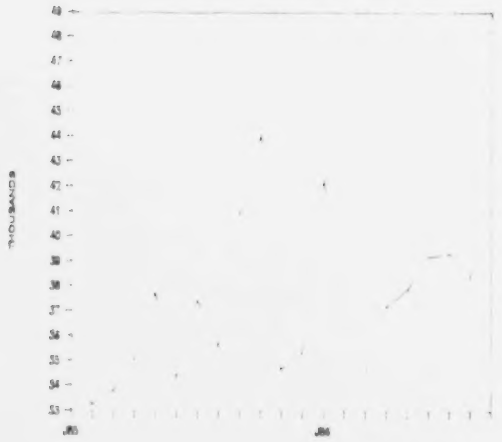
NEW BUSINESS INCORPORATIONS



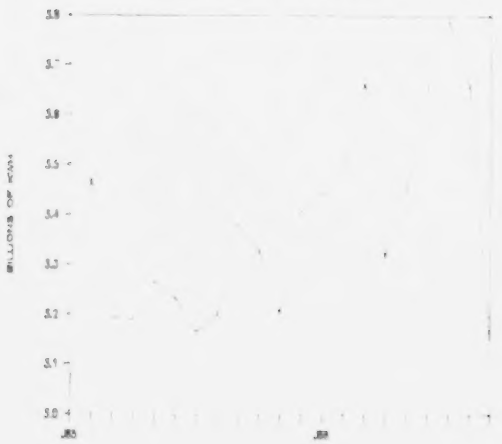
VALUATION OF BUILDING PERMITS



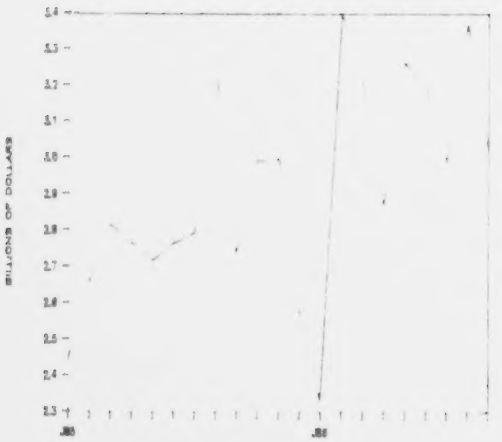
NEW VEHICLE REGISTRATIONS



ELECTRICAL POWER SALES



TAXABLE RETAIL SALES

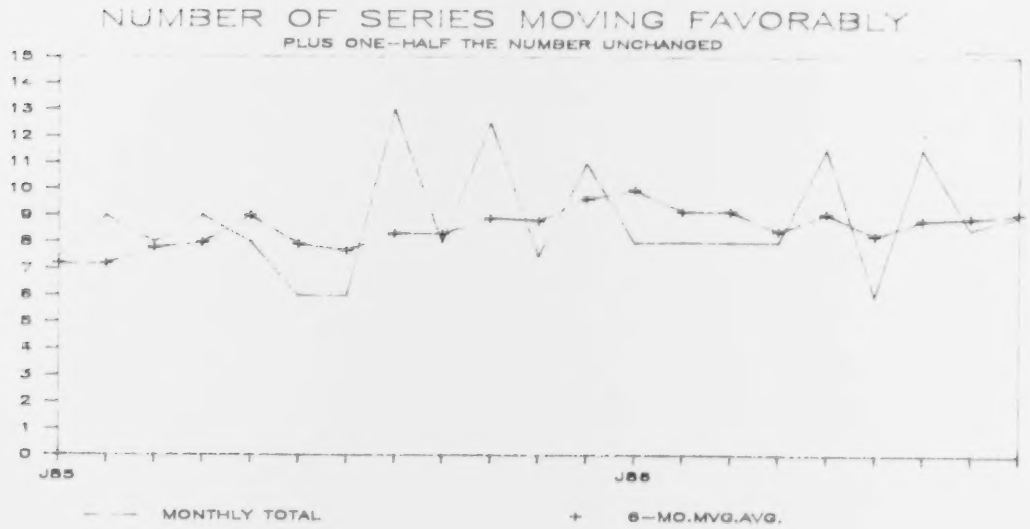


DATA SUMMARY SEPTEMBER 1986 (SEASONALLY ADJUSTED DATA)	Sept. 1986	Aug. 1986	Sept. 1985	Percent & (Direction) of Change 1/ Aug. '86- Sept. '86	 Sept. '85- Sept. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,539.2	2,526.4	2,458.0	+ 0.5 (+)	+ 3.3 (+)
*Manufacturing Employment (000)	426.4	429.8	421.6	- 0.8 (-)	+ 1.1 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	5.1	4.8	5.9	xxx (-)	xxx (+)
Average Weekly Initial Claims	6,258	6,211	6,777	+ 0.8 (+)	- 7.7 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	1.2	1.2	xxx (+)	xxx (+)
Unemployment Insurance Final Payments	2,332	1,846	2,142	+26.3 (-)	+ 8.9 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.4	40.1	40.1	+ 0.7 (+)	+ 0.7 (+)
*Average Manhours (000)	12,992.1	12,948.0	12,716.1	+ 0.3 (+)	+ 2.2 (+)
*Average Hourly Earnings ($)	8.98	8.93	8.59	+ 0.6 (+)	+ 4.5 (+)
*Average Weekly Earnings ($)	362.41	357.74	344.29	+ 1.3 (+)	+ 5.3 (+)
BUSINESS					
New Business Incorporations	1,539	1,307	1,338	+17.8 (+)	+15.1 (+)
Valuation of Building Permits - 18 Cities ($M)	167.4	157.0	175.8	+ 6.6 (+)	- 4.8 (-)
New Vehicle Registrations	48,869	38,349	40,942	+27.4 (+)	+19.4 (+)
Electrical Power Sales (M of KWH)	3,153.4	3,658.0	3,378.7	-13.8 (-)	- 6.7 (-)
Taxable Retail Sales ($M)	3,022.5	3,369.1	2,741.2	-10.3 (-)	+10.3 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1985 benchmarks

SUMMARY



DATA SUMMARY AUGUST 1986 (SEASONALLY ADJUSTED DATA)	Aug. 1986	July 1986	Aug. 1985	Percent & (Direction) of Change 1/ July '86- Aug. '86	 Aug. '85- Aug. '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,526.4	2,524.1	2,437.0	+ 0.1 (+)	+ 3.7 (+)
*Manufacturing Employment (000)	429.8	430.2	421.8	- 0.1 (-)	+ 1.9 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.8	4.7	5.8	xxx (-)	xxx (+)
Average Weekly Initial Claims	6,211	6,319	7,526	- 1.7 (+)	-17.5 (+)
Average Weekly Insured Unemployment Rate (%)	1.2	1.1	1.3	xxx (-)	xxx (+)
Unemployment Insurance Final Payments	1,846	2,176	1,963	-15.2 (+)	- 5.9 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.1	40.1	39.9	0.0 (0)	+ 0.5 (+)
*Average Manhours (000)	12,948.0	12,900.5	12,650.7	+ 0.4 (+)	+ 2.3 (+)
*Average Hourly Earnings ($)	8.93	8.92	8.61	+ 0.1 (+)	+ 3.7 (+)
*Average Weekly Earnings ($)	357.74	357.70	343.18	0.0 (0)	+ 4.2 (+)
BUSINESS					
New Business Incorporations	1,307	1,620	1,395	-19.3 (-)	- 6.3 (-)
Valuation of Building Permits - 18 Cities ($M)	157.0	140.9	163.1	+11.4 (+)	- 3.7 (-)
New Vehicle Registrations	38,349	39,325	35,570	- 2.5 (-)	+ 7.8 (+)
Electrical Power Sales (M of KWH)	3,658.0	3,789.1	3,199.0	- 3.5 (-)	+14.3 (+)
Taxable Retail Sales ($M)	3,369.1	2,990.0	3,205.5	+12.7 (+)	+ 5.1 (+)

DATA SUMMARY JULY 1986 (SEASONALLY ADJUSTED DATA)	July 1986	June 1986	July 1985	Percent & (Direction) of Change 1/ June '86- July '86	 July '85- July '86
EMPLOYMENT					
*Nonagricultural Wage & Salary Employment (000)	2,524.1	2,521.5	2,432.0	+ 0.1 (+)	+ 3.8 (+)
*Manufacturing Employment (000)	430.2	425.4	418.7	+ 1.1 (+)	+ 2.7 (+)
UNEMPLOYMENT					
*Total Unemployment Rate (%)	4.7	5.1	6.0	xxx (+)	xxx (+)
Average Weekly Initial Claims	6,319	6,616	8,875	- 4.5 (+)	-28.8 (+)
Average Weekly Insured Unemployment Rate (%)	1.1	1.1	1.4	xxx (0)	xxx (+)
Unemployment Insurance Final Payments	2,176	2,122	2,492	+ 2.6 (-)	-12.7 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.1	39.9	39.7	+ 0.5 (+)	+ 1.0 (+)
*Average Manhours (000)	12,900.5	12,788.0	12,480.6	+ 0.9 (+)	+ 3.4 (+)
*Average Hourly Earnings ($)	8.92	8.89	8.53	+ 0.3 (+)	+ 4.5 (+)
*Average Weekly Earnings ($)	357.70	355.10	338.82	+ 0.7 (+)	+ 5.6 (+)
BUSINESS					
New Business Incorporations	1,620	1,414	1,367	+14.6 (+)	+18.5 (+)
Valuation of Building Permits - 18 Cities ($M)	140.9	309.0	118.7	-54.4 (-)	+18.7 (+)
New Vehicle Registrations	39,325	39,175	37,447	+ 0.4 (+)	+ 5.0 (+)
Electrical Power Sales (M of KWH)	3,789.1	3,654.2	3,166.2	+ 3.7 (+)	+19.7 (+)
Taxable Retail Sales ($M)	2,990.0	3,193.4	2,794.0	- 6.4 (-)	+ 7.0 (+)

1/ + = Favorable, - = Not Favorable, 0 = No Change (less than .05%)

* Revised to First Quarter 1985 benchmarks

THE VIRGINIA LEADING AND COINCIDENT INDEXES

by Alex Valz

In the last issue of Virginia Economic Indicators, we introduced a preliminary index of leading indicators for Virginia. The index incorporated the methodology developed by the Bureau of Economic Analysis of the U. S. Department of Commerce in compiling the national indexes. During the past three months, we have attempted to refine the index by using moving averages to smooth random fluctuations in the series, deflating the valuation of building permits to 1982 dollars, and eliminating one series, new vehicle registrations, which is not included in the national index. The refinements have led to what should be a more reliable leading measure of business activity in the State. Specifically, the leading index now includes: average weekly initial claims for State unemployment insurance (three-month moving average); average weekly hours of production for nonsupervisory workers, manufacturing (five-month moving average); new business incorporations (six-month moving average); and building permits, 1982 dollars (six-month moving average). Although only four of the 12 components used in the national index were used for the State index, we are hoping to add additional series as they become available.

With this issue, we are introducing an index of coincident indicators for Virginia. Fortunately, the actual series or near proxies for the series are available on a statewide basis for all of the components of the national index. The components of the coincident index are: employees on nonagricultural payrolls, personal income less transfer payments, 1982 dollars; the index of industrial production; and retail sales, 1967 dollars.

The indexes have 1977 as a base year rather than 1967, the national index base year, primarily because one series, Virginia retail sales, is not available on a monthly basis prior to 1974. In selecting the base year for the State indexes, it was felt that 1977, a mid-cycle year, was preferable to 1974, a recessionary year, for obvious reasons.

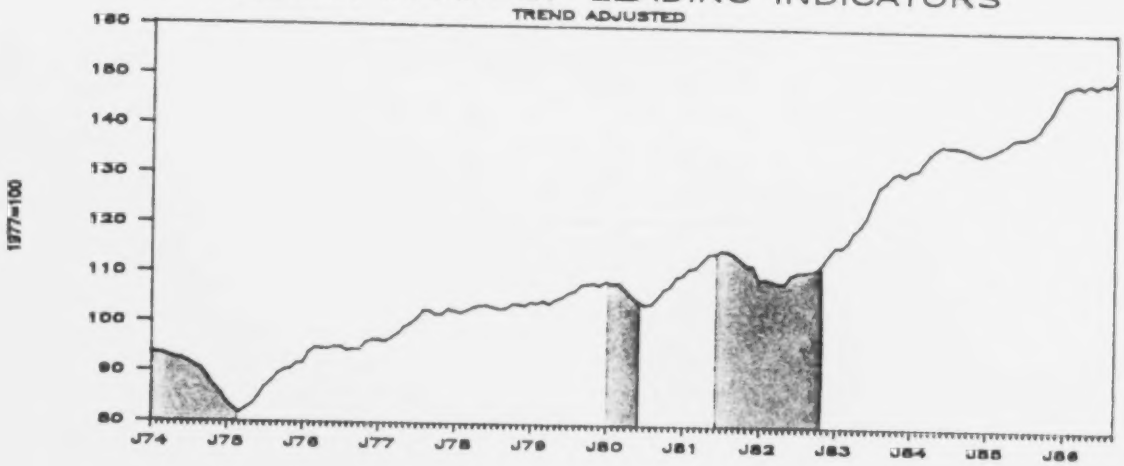
The following figures show the performance of the leading and coincident indexes for the 1985-1986 period. The charts on the opposite page show the indexes for the 1974 to 1986 period.

1985	Leading Index (1977=100)	Monthly Percent Change	Quarterly Percent Change	Coincident Index (1977=100)	Monthly Percent Change	Quarterly Percent Change
January	135.8	+0.3	0.0	126.3	0.0	0.0
February	136.5	+0.5	+0.4	126.4	+0.1	+0.8
March	137.1	+0.5	0.0	127.2	+0.6	0.0
April	137.8	+0.5	0.0	127.7	+0.4	0.0
May	138.8	+0.7	+1.5	128.2	+0.4	+1.2
June	139.0	+0.2	0.0	128.4	+0.2	0.0
July	139.2	+0.1	0.0	128.6	+0.1	0.0
August	139.7	+0.4	+1.0	129.8	+1.0	+1.2
September	140.6	+0.7	0.0	130.6	+0.6	0.0
October	142.7	+1.5	0.0	132.2	+1.2	0.0
November	144.2	+1.0	+3.4	133.3	+0.9	+2.6
December	146.8	+1.8	0.0	133.7	+0.3	0.0
Avg. Mo. Change	0.0	+0.7	0.0	0.0	+0.5	0.0
1986						
January	149.0	+1.5	0.0	133.3	-0.3	0.0
February	149.5	+0.3	+3.4	133.7	+0.3	+0.6
March	150.0	+0.3	0.0	134.5	+0.6	0.0
April	149.4	-0.4	0.0	134.1	-0.3	0.0
May	150.3	+0.6	+0.2	134.7	+0.4	+0.6
June	149.5	-0.5	0.0	135.1	+0.4	0.0
July	150.3	+0.5	0.0	136.2	+0.8	0.0
August	150.0	-0.2	+0.5	135.9	-0.2	+1.0
September	151.2	+0.8	0.0	136.0	+0.1	0.0
Avg. Mo. Change	0.0	+0.3	0.0	0.0	+0.2	0.0

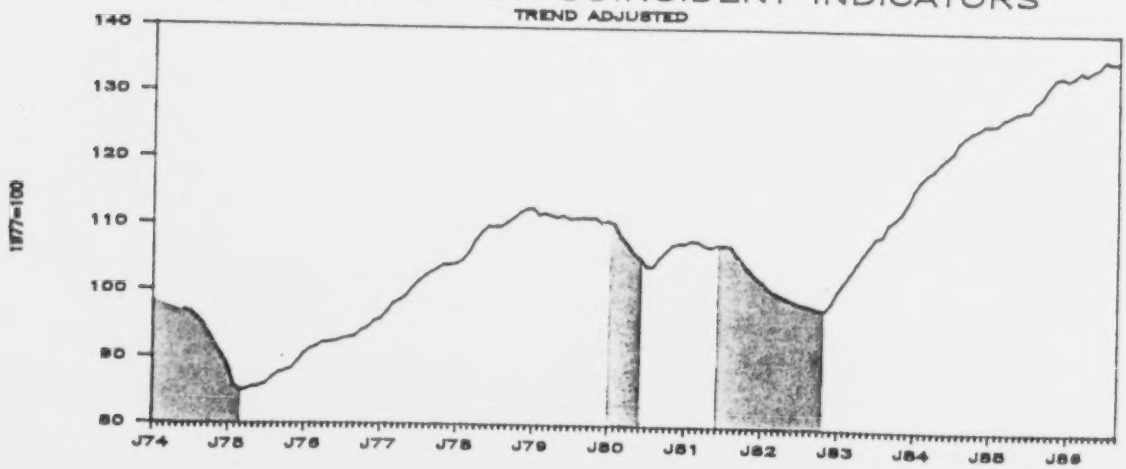
Increases less than 0.05% are expressed as 0.0%

It is obvious from the indexes that economic activity in Virginia has slowed in recent months. However, while that measure of activity reflected in the indexes has slowed, a slump is not indicated in the near term. Although both indexes registered healthy gains during some months of 1986, decreases were recorded other months and somewhat of a sawtooth pattern has become prevalent. During the most recent period available, the third quarter, the leading index averaged 150.5 percent of 1977, a 0.5 percent increase over the second quarter average of 149.7. The performance of the coincident index over the same time frame showed a 1.0 percent increase, from 134.7 to 136.0. Both indexes indicated that the third quarter was stronger than the second quarter. The second quarter averages showed increases over the first quarter of 0.2 percent for the leading index and 0.6 percent for the coincident index.

VIRGINIA INDEX OF LEADING INDICATORS



VIRGINIA INDEX OF COINCIDENT INDICATORS



Of the individual components of the leading index, new business incorporations appeared to be the main driver during two of the three months of the third quarter--July and September. Average initial claims for unemployment insurance also showed strong positive trends for those two months. A decline in this latter component indicates improvement as it reflects a downtrend in layoff activity. The average hours worked by manufacturing production workers dropped during all three months of the third quarter based on a five-month moving average. The downtrend in this component could point to some softness in the manufacturing sector in the months ahead. The valuation of building permits measured in 1982 dollars remained strong throughout the third quarter.

Of the coincident index components, personal income, minus transfer payments expressed in 1982 dollars, declined during the first two months of the third quarter due to losses in farm proprietors' income caused by the drought and other recent factors. All other segments of personal income apparently continued to trend upward, however. The index of industrial production for Virginia continued to add strength to the leading index throughout the quarter, although it had lost a little steam by September. The latest quarter for these two components (personal income and index of industrial production) is a projection by Chase Econometrics. All estimates for previous quarters are compiled by the Bureau of Economic Analysis of the U. S. Department of Commerce. Current dollars for personal income are then converted to 1982 dollars by applying the national GNP deflators. Of the remaining components, nonagricultural wage and salary employment boosted the index while retail sales, measured in 1967 dollars, declined and acted as a drag during the last two months of the quarter. Noting the improved performance of the leading index during the third quarter, there is reason to believe that the coincident index will gain strength during the fourth quarter.

The performance of the leading index over the business cycle appears to vary with that of its national counterpart. The Virginia leading index appears to slightly lag, by one month, the 1980 trough and the 1981 peak designated by the Bureau of Economic Analysis. The short duration and relatively mild nature of these business cycles in Virginia are probably the reasons why the State index is less sensitive than the national index. The State leading index, however, turned in a good performance during 1982, preceding the trough of that recession by six months. The State coincident index showed nearly the exact pattern as the national coincident index as is evident in the chart on the preceding page.

The indexes will become a regular feature of this publication beginning with this issue.

HISTORICAL SUMMARY

Performance of Indicators Over the Business Cycle

GENERAL INFORMATION

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

BUSINESS CYCLE TURNING POINTS

The shaded spaces on the charts represent the 1973-75, 1980, and 1981-82 recessions as designated by the National Bureau of Economic Research (NBER). The beginning of a recession is defined as the month when aggregate economic activity in the U. S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. According to NBER, the 1973-75 recession began in November 1973 and ended in March 1975, the 1980 recession began in January 1980 and ended in July 1980, and the 1981-82 recession began in July 1981 and ended in November 1982.

SEASONAL ADJUSTMENT

To correlate changes in a time series and changes in the business cycle it is desirable

SEASONAL ADJUSTMENT (continued)

to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in Indicators have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

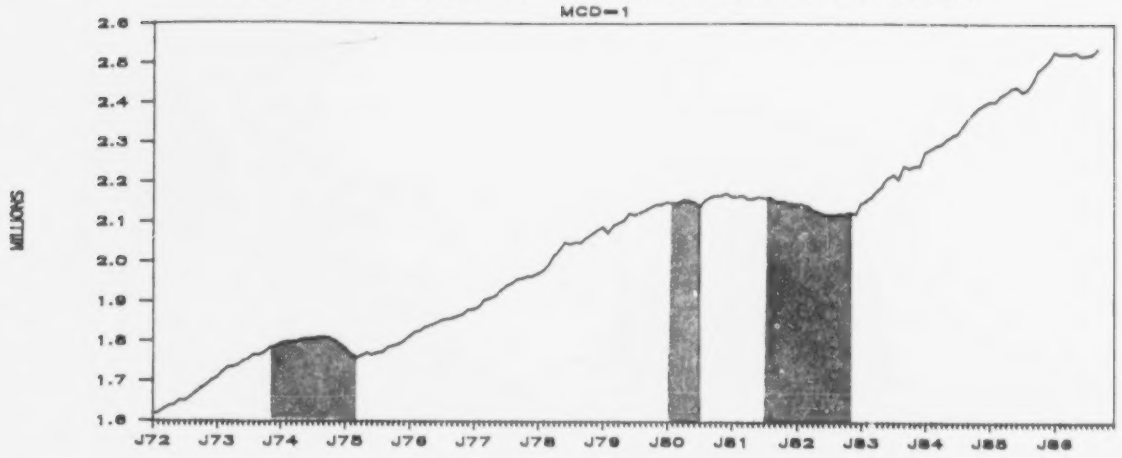
MONTHS FOR CYCLICAL DOMINANCE (MCD)

After seasonal adjustment there often remains a significant degree of purely random change, the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data--the greater the MCD the more random and less cyclically significant are monthly changes in the series. Where noted, charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

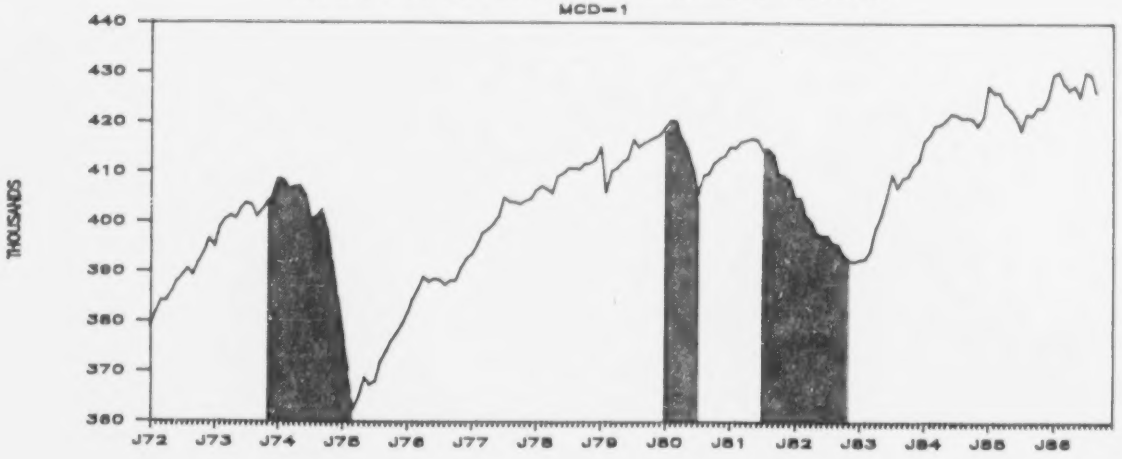
DATA SOURCES

Nonagricultural Wage and Salary Employment..... Virginia Employment Commission (VEC)
Manufacturing Employment..... VEC
Total Unemployment Rate..... VEC
Average Weekly initial Claims..... VEC
Insured Unemployment Rate..... VEC
Unemployment Insurance Final Payments..... VEC
Average Manhours..... VEC
Average Hourly Earnings..... VEC
Average Weekly Earnings..... VEC
Average Workweek..... VEC
New Business Incorporations..... Virginia State Corporation Commission
Valuation of Building Permits - 18 Cities..... Local Building Inspectors
New Vehicle Registrations..... Virginia State Division of Motor Vehicles
Electrical Power Sales..... VEPCO, Appalachian Power Co., Delmarva Electric Co., Tennessee Power Company
Taxable Retail Sales..... Virginia State Department of Taxation
Taxable Retail Sales/CPI..... Virginia State Department of Taxation

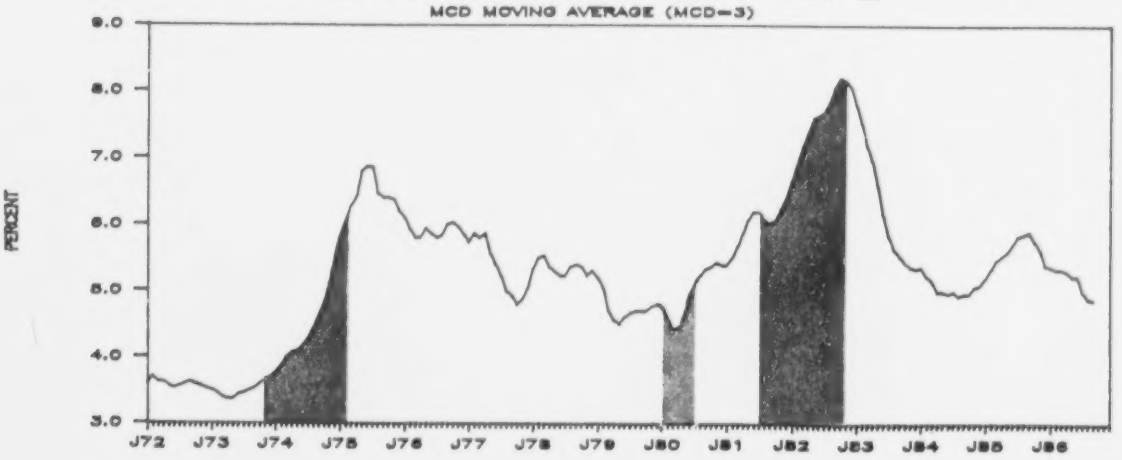
NONAG WAGE & SALARY EMPLOYMENT



MANUFACTURING EMPLOYMENT

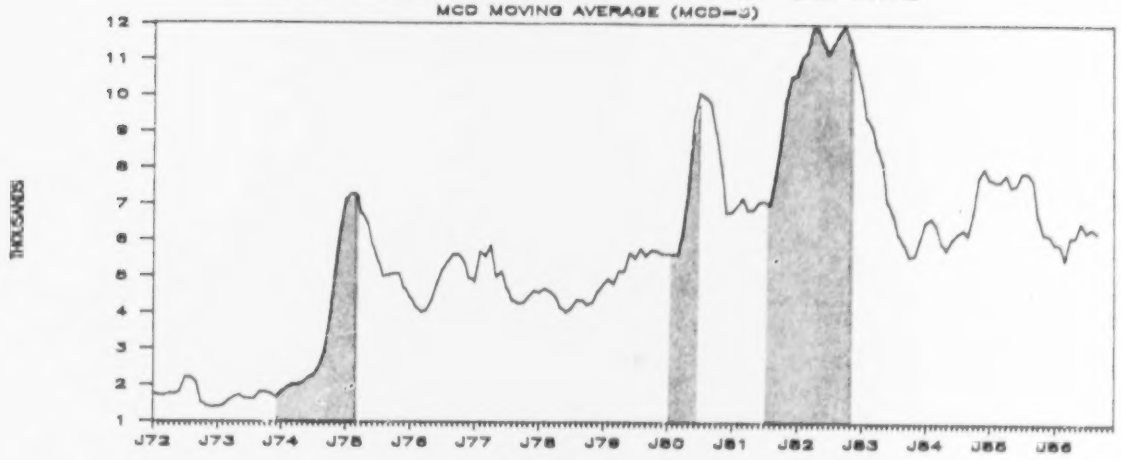


TOTAL UNEMPLOYMENT RATE



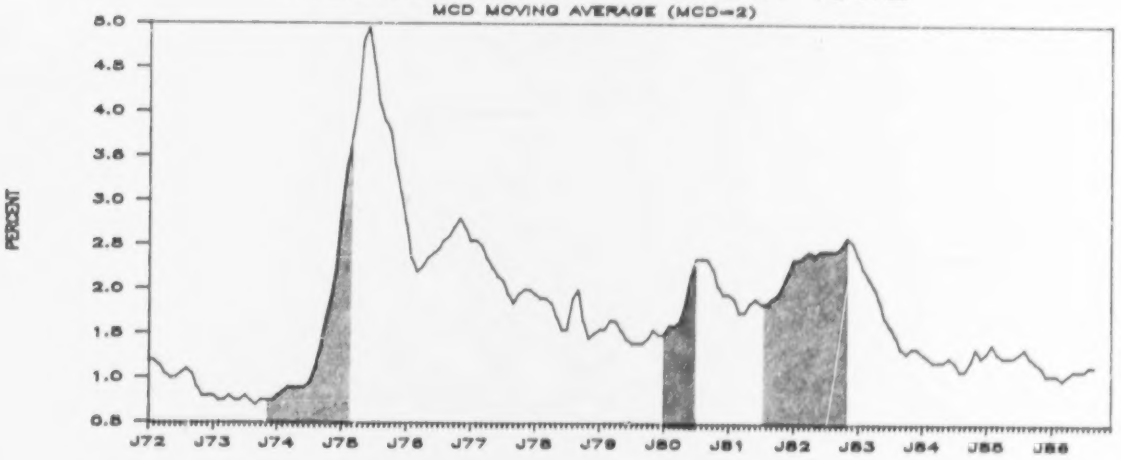
AVERAGE WEEKLY INITIAL CLAIMS

MCD MOVING AVERAGE (MCD=3)



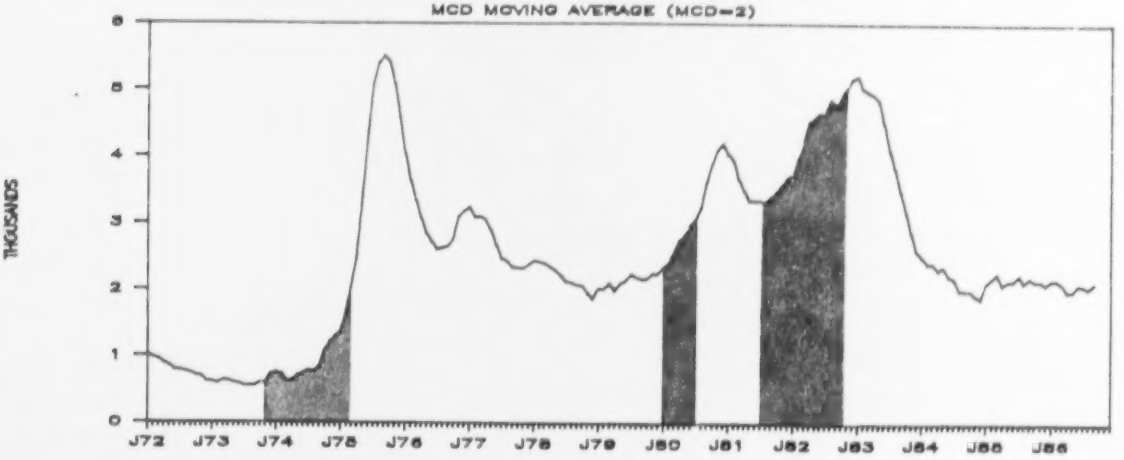
INSURED UNEMPLOYMENT RATE

MCD MOVING AVERAGE (MCD=2)



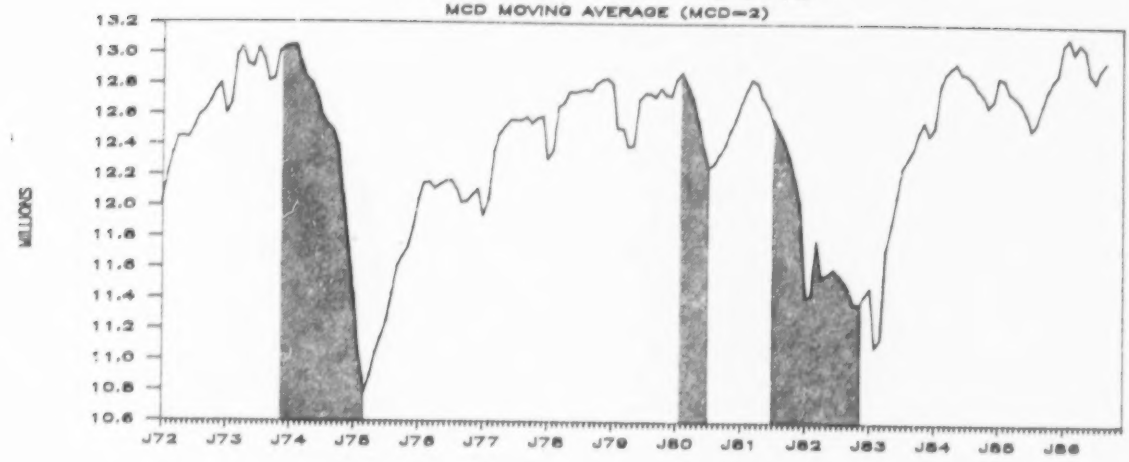
U. I. FINAL PAYMENTS

MCD MOVING AVERAGE (MCD=2)



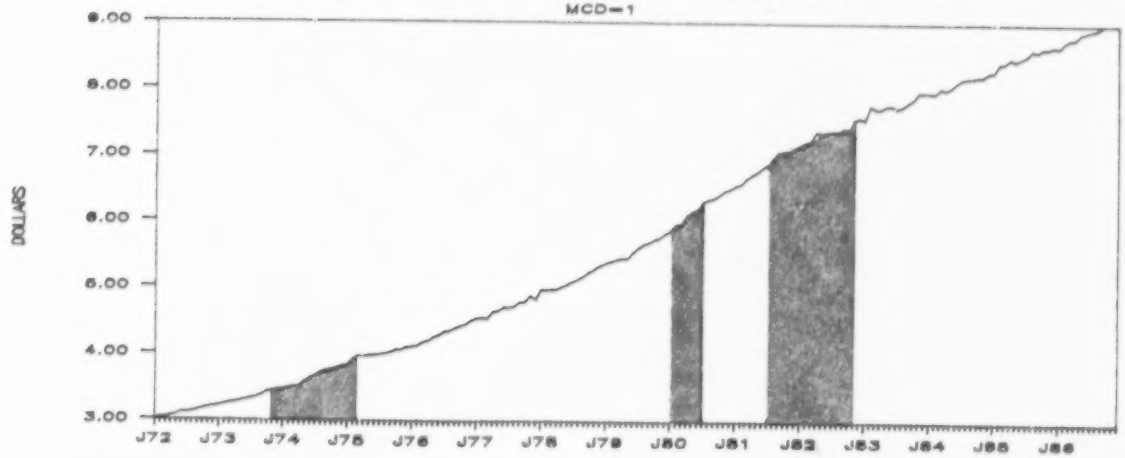
AVERAGE MANHOURS

MCD MOVING AVERAGE (MCD=2)



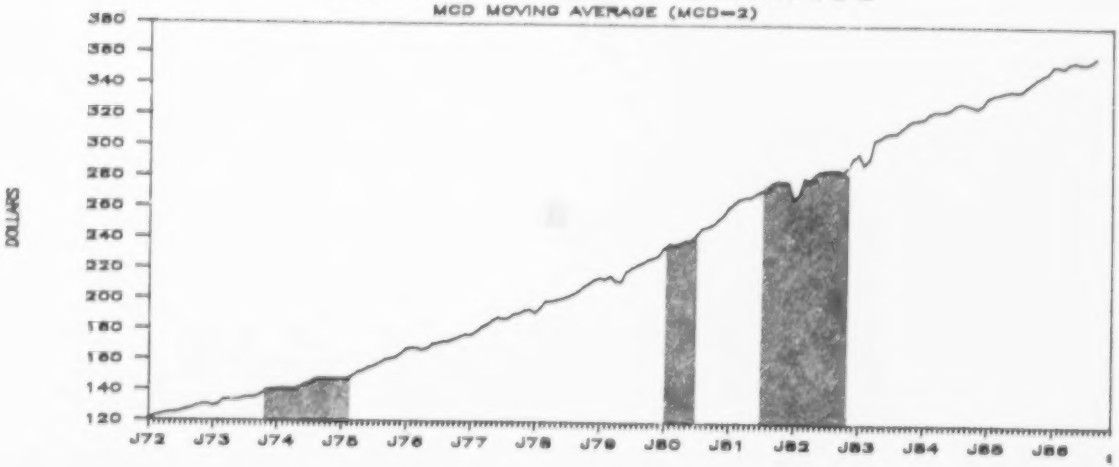
AVERAGE HOURLY EARNINGS

MCD=1



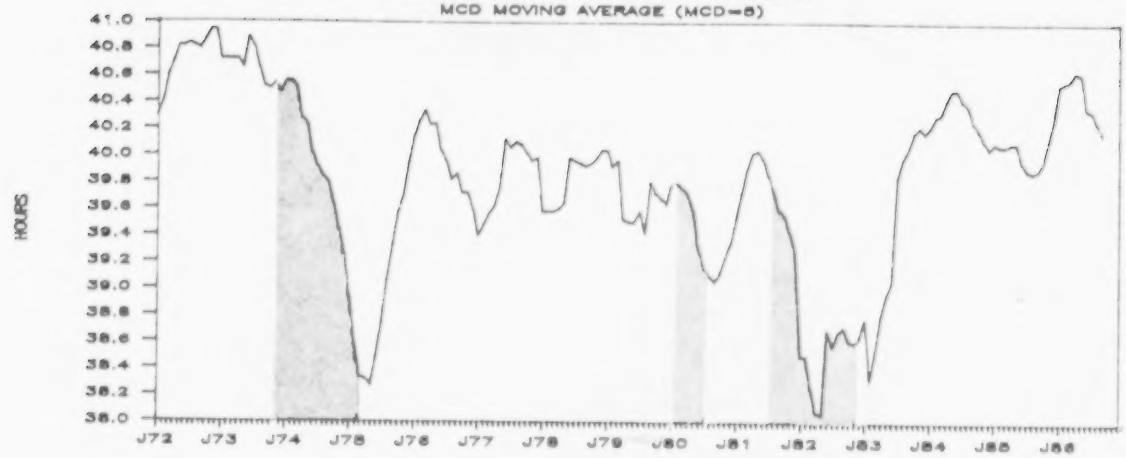
AVERAGE WEEKLY EARNINGS

MCD MOVING AVERAGE (MCD=2)



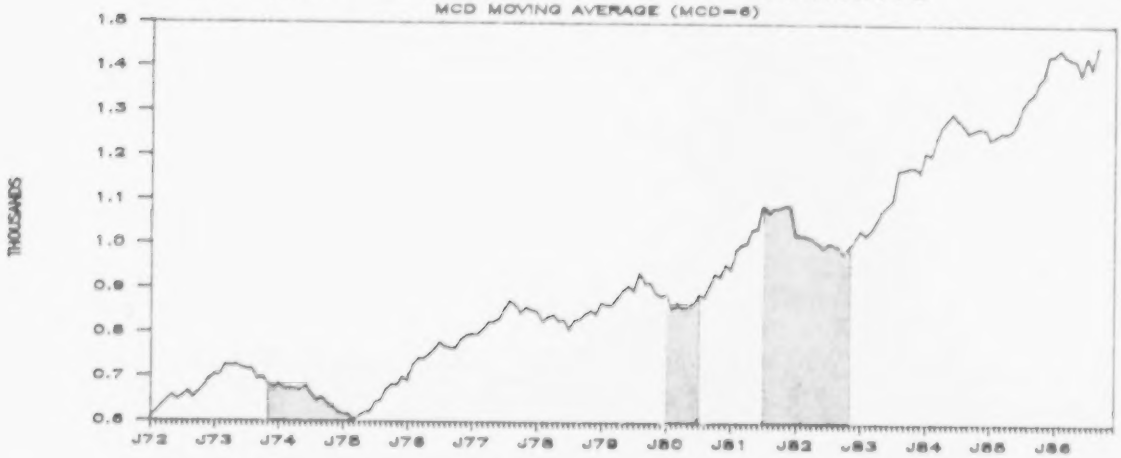
AVERAGE WORKWEEK

MCD MOVING AVERAGE (MCD=6)



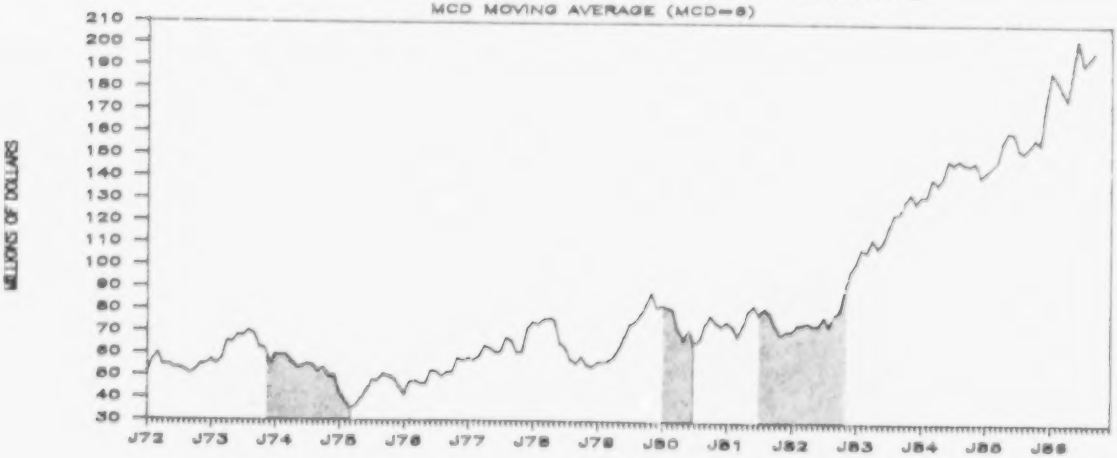
NEW BUSINESS INCORPORATIONS

MCD MOVING AVERAGE (MCD=6)



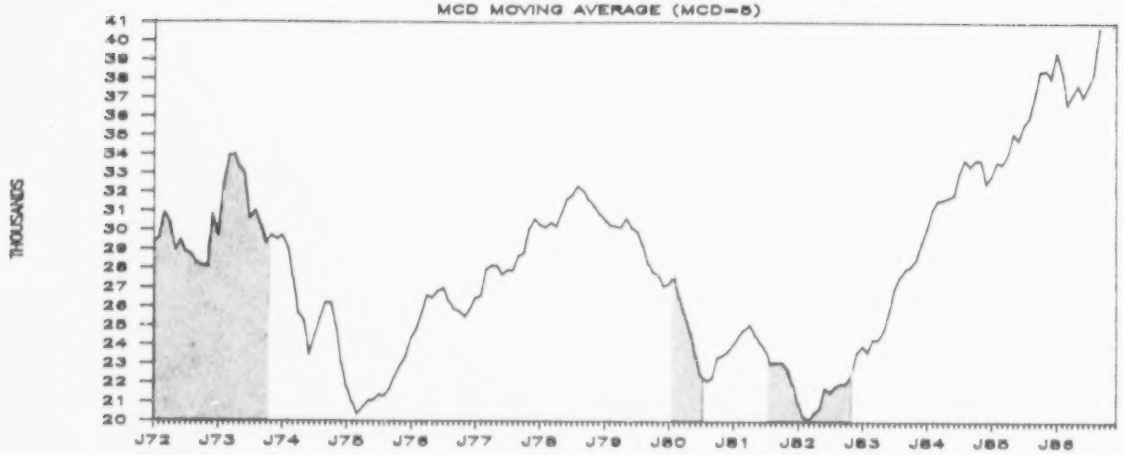
VALUATION OF BUILDING PERMITS

MCD MOVING AVERAGE (MCD=6)



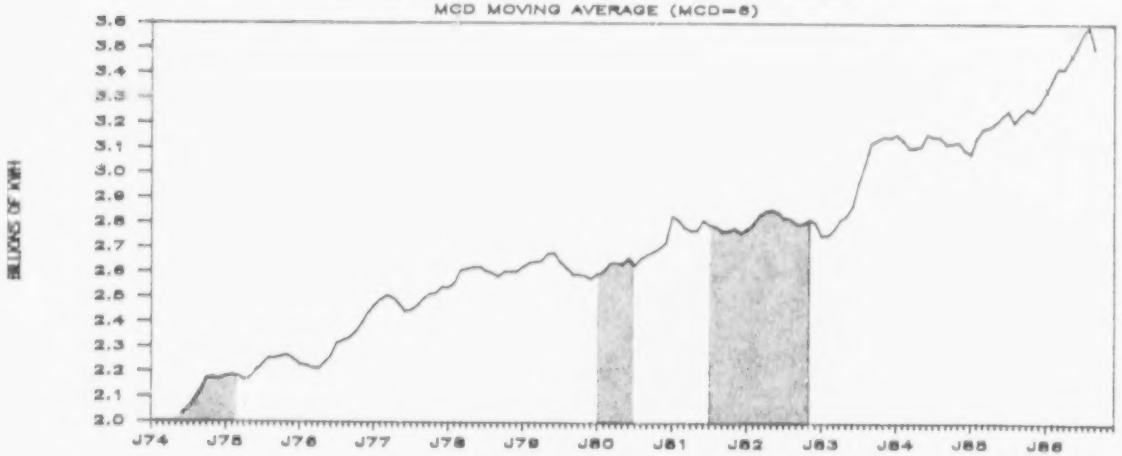
NEW VEHICLE REGISTRATIONS

MCD MOVING AVERAGE (MCD=6)



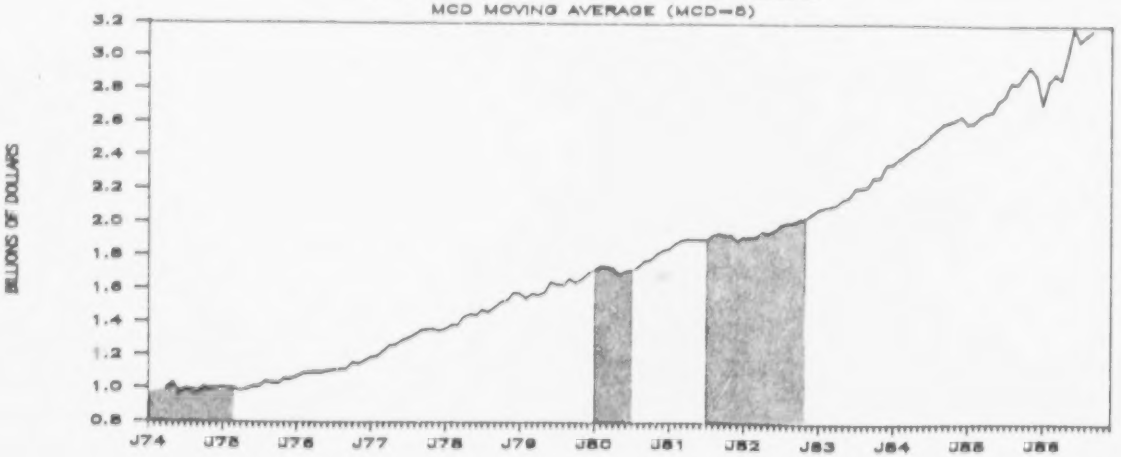
ELECTRICAL POWER SALES

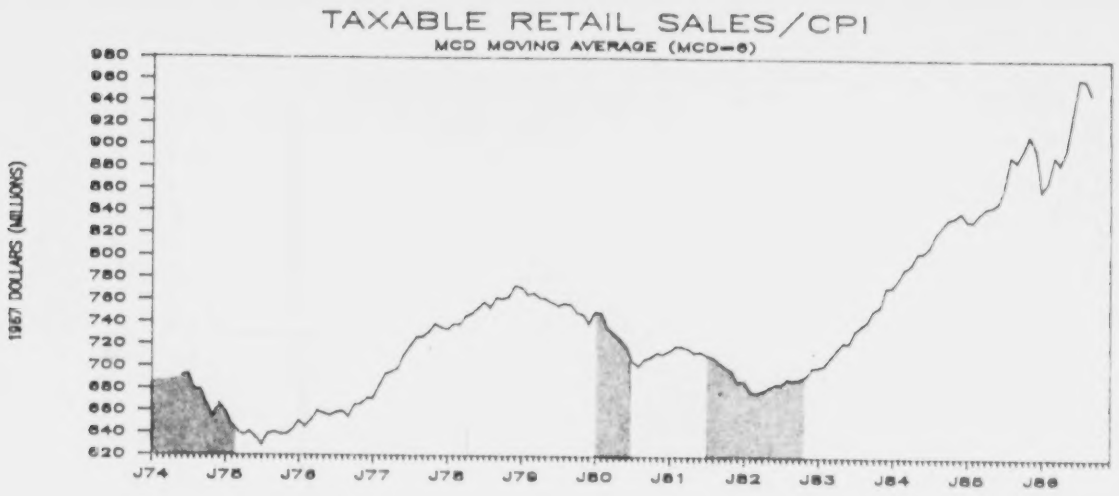
MCD MOVING AVERAGE (MCD=6)



TAXABLE RETAIL SALES

MCD MOVING AVERAGE (MCD=6)




TAXABLE RETAIL SALES/CPI
MCD MOVING AVERAGE (MCD=6)
1967 DOLLARS (MILLIONS)
980
960
940
920
900
880
860
840
820
800
780
760
740
720
700
680
660
640
620
J74
J75
J76
J77
J78
J79
J80
J81
J82
J83
J84
J85
J86